

Message Text

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PAGE 01 STATE 026031

53

ORIGIN PM-03

INFO OCT-01 EUR-12 ISO-00 SS-15 OMB-01 TRSE-00 AID-05

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DRAFTED BY PM/SAS:RWSMITH:RG

APPROVED BY PM:GSVEST

DOD/DSAA - GEN. FISH

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EB/CBA - MR. BILLER

EUR/CE - MR. WILGIS

PM/SAS - MR. LADD

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FM SECSTATE WASHDC

TO AMEMBASSY ROME PRIORITY

AMEMBASSY BONN PRIORITY

INFO USMISSION NATO

USCINCEUR

HQ DA WASH DC

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E.O. 11652: GDS

TAGS: MASS, IT, GW

SUBJECT: SALE OF ITALIAN M-113'S TO FRG

REF: A) ROME 948 B) BONN 1242 C) MAAG BONN TEL

311647Z JAN 75

1. DEPARTMENT AND DOD HAVE CAREFULLY STUDIED ITALIAN REQUEST TO SELL 400 M-113 APC'S TO FRG. AFTER REVIEWING WIDE RANGE OF FACTORS AFFECTING THIS CASE, WE HAVE CONCLUDED THAT WE CANNOT APPROVE ITALIAN REQUEST. AMONG REASONS FOR THIS DECISION ARE FOLLOWING:

A) MEMORANDUM OF UNDERSTANDING OF FEBRUARY 12, 1963

CONFIDENTIAL

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PAGE 02 STATE 026031

BETWEEN USG AND GOI CONTAINS STATEMENT IN OPENING PARA-

GRAPH THAT M-113 PRODUCTION IN ITALY IS "FOR USE BY ITALIAN ARMED FORCES ONLY". SUCH STATEMENT IS STANDARD IN MOST CO-PRODUCTION AGREEMENTS, AND CONGRESS HAS ALWAYS BEEN ASSURED THAT USG DOES NOT INTEND SUCH AGREEMENTS TO CREATE FOREIGN SOURCES OF EXPORT COMPETITION FOR US MANUFACTURERS. WE HAVE, AS EMBASSY IS AWARE, PERMITTED EXCEPTIONS TO THIS POLICY IN PAST, BUT SUCH EXCEPTIONS HAVE BEEN FEW IN NUMBER AND HAVE INVOLVED SPECIAL CIRCUMSTANCES AND RELATIVELY MODEST NUMBER OF ITEMS TO BE TRANSFERRED.

B) USG EXTENDED LETTER OF OFFER TO FRG LAST YEAR FOR THIS SAME ORDER, AND US MANUFACTURER AND FRG MOD REPRESENTATIVES HAVE BEEN NEGOTIATING FOR PAST SEVERAL MONTHS ON CHANGES FOR GERMAN APC'S TO BE INCORPORATED INTO TECHNICAL DATA PACKAGE.

C) IF FRG DOES NOT BUY APC'S FROM US, CURRENT PRODUCTION RUN FOR US ARMY WILL END BEFORE CONGRESS CAN ACT ON ARMY'S FY 76 BUDGET REQUEST FOR ADDITIONAL ORDER. SUCH DISRUPTION OF PRODUCTION WOULD CONSIDERABLY INCREASE COSTS TO USG.

2. FYI: ABOVE ARE MAJOR POINTS WHICH WE CONSIDERED IN REACHING DECISION. IN ADDITION, FRG ORDER WILL HAVE BENEFICIAL IMPACT ON ECONOMIC WELL-BEING OF US MANUFACTURER AND 48 SUB-CONTRACTERS SCATTERED AROUND US, AND HELP US BALANCE OF PAYMENTS. FINALLY, THIS ORDER CONSTITUTES SIGNIFICANT FACTOR IN US-FRG OFFSET. WE ARE AWARE OF IMPACT PROPOSED SALE BY GOI WOULD HAVE ON ITALIAN ECONOMY, AS WELL AS FRG INTEREST IN ASSISTING ITALIANS BY PLACING THIS ORDER. WE NEVERTHELESS BELIEVE THAT THE INTENT OF THE MEMORANDUM OF UNDERSTANDING AND THE EFFECT ON OUR OWN ECONOMY ARE MORE COMPELLING. GIVING UP THE GERMAN SALE TO THE GOI WOULD NOT BE WELL RECEIVED OR UNDERSTOOD HERE. END FYI.

3. EMBASSIES ROME AND BONN SHOULD INFORM APPROPRIATE HOST COUNTRY OFFICIALS OF US DECISION, DRAWING ON PARA 1 (A, B, C) ABOVE. KISSINGER

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